

Message Text

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FOR CHRIS SQUIRE EA (ANP)

E.O. 11652: N/A
TAGS: EINV, EIND, EPAP, WS, NZ
SUBJECT: POTLATCH TO SELL ITS OPERATIONS IN WESTERN SAMOA

1. RECENTLY MR. RICHARD M. LLOYD OF POTLATCH CORPORATION, LAKE OSWEGO, OREGON, CALLED ON ME TO INFORM ME OF THE DECISION OF POTLATCH TO SELL OUT ITS LOGGING AND LUMBERING OPERATIONS IN WESTERN SAMOA. HE SAID THAT THE ESTERN SAMOAN OPERATION HAS NOT BEEN PROFITABLE AND SOME THREE YEARS AGO POTLATCH DECIDED TO SELL THE WESTERN SAMOA COMPANY. IN ANTICIPATION OF THIS POTLATCH CORPORATION HAS BEEN TRYING TO GET THE WS OPERATION ON A PAYING BASIS TO ENHANCE THE SALEABILITY. THIS HAS NOT BEEN POSSIBLE AND THEY'VE DECIDED TO SELL AT A LOSS NOW TO KEEP FROM LOSING MORE MONEY. MR. LLOYD SAID THAT THE AMOUNT AND QUALITY OF HARDWOOD STANDS WAS MUCH LESS THAN THEY ORIGINALLY CALCULATED. THE FINISHED PRODUCT IS NOT COMPETITIVE IN THE USA OR ELSEWHERE OUTSIDE WESTERN SAMOA WITH BETTER KNOWN HARDWOODS. MOST OF THE PRODUCT IS SOLD IN WESTERN SAMOA. THIS IS NOW WS'S MAIN SOURCE OF LUMBER. BUT THE OVERALL OPERATION IS COSTLY, EVEN FOR THE WESTERN SAMOA MARKET.

2. MR. LLOYD SAID WHEN HE HAD INFORMED THE GOVERNMENT OF WESTERN SAMOA OF POTLATCH'S INTENT TO SELL, GWS EXPRESSED AN INTEREST IN BUYING OUT POTLATCH'S INTEREST. BUT GWS WANTS SOME COMPANY WITH KNOW-HOW TO BE A CO-PURCHASER WITH GWS AND TO
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MANAGE THE OPERATION. LLOYD FEELS NO RESPONSIBLE COMPANY

WOULD BE INTERESTED IN INVESTING IN SUCH A LOSING VENTURE.

3. LLOYD SAID NZ FOREST PRODUCTS (NZFP) APPEARED WILLING TO UNDERTAKE A MANAGEMENT ARRANGEMENT OF THE WS COMPANY IF THE NEW ZEALAND GOVERNMENT WERE TO REQUEST NSFP TO DO SO. GNZ DOES NOT WISH TO SEE THE WESTERN SAMOA OPERATIONS FOLD UP AND APPEARS PREPARED TO HELP KEEP IT AFLOAT BUT WOULD LIKE NZFP TO TAKE THE INITIATIVE AND REQUEST GNZ ASSISTANCE.

4. THIS HAS CREATED SOMEWHAT OF AN IMPASSE WHICH THE MINISTRY OF FOREIGN AFFAIRS EXTERNAL AID PEOPLE CONCERNED ASSURE US IS NOT INSUPERABLE.

5. POTLATCH'S DECISION TO PULL OUT OF ITS WS OPERATIONS COMES TO AN UNFORTUNATE TIME. IF THE OPERATION WERE TO CLOSE, THIS WOULD HAVE VERY IMPORTANT REPERCUSSIONS ON THE WESTERN SAMOAN ECONOMY. IN ADDITION TO BALANCE OF TRADE PROBLEMS, WESTERN SAMOA HAS BEEN FEELING UNTIL VERY RECENTLY THE EFFECTS OF REDUCED REMITTANCES FROM NEW ZEALAND (AN IMPORTANT SOURCE OF INCOME FOR WS) AS THE TIGHTER GNZ IMMIGRATION POLICIES TOOK EFFECT AND THE NUMBER OF WESTERN SAMOANS WORKING IN NZ DECLINED.

6. THOUGH POTLATCH CORPORATION IS RESOLVED TO SELL ITS WESTERN SAMOAN LOGGING AND LUMBERING OPERATIONS AT A LOSS, GWS WILL UNDOUBTEDLY NEED FINANCIAL ASSISTANCE AND THE HELP OF EXPERIENCED MANAGEMENT TO TAKE IT OVER AND KEEP IT GOING. I BELIEVE THAT THE SITUATION CREATED BY THE PENDING PULL-OUT OF POTLATCH FROM WS WILL LIKELY COME UP DURING THE SEPTEMBER 23-24 DISCUSSIONS IN WASHINGTON ON AID TO THE PACIFIC ISLAND COUNTRIES. I THINK IT IS IN OUR INTEREST TO ENCOURAGE GNZ TO TAKE AN ACTIVE ROLE IN ASSURING A VIABLE ARRANGEMENT FOR KEEPING THE OPERATION GOING.
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